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EX PARTE OR LATE FILED

December 17, 1999

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DEC 17 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-A325
Washington, DC 20554

Re: **EX PARTE**

Request of Lockheed Martin Corporation and Warburg, Pincus &
Co. For Review of the Transfer of the Lockheed Martin
Communications Industry Services Business From Lockheed Martin
Corporation to an Affiliate of Warburg, Pincus & Co.,
CC Docket No. 92-237/NSD File No. 98-151

Dear Ms. Salas:

Attached is a Memorandum to L. Charles Keller, Chief of the Network Services Division of the Common Carrier Bureau, setting forth the understanding of NeuStar, Inc. ("NeuStar") as to the additional steps that must be undertaken to make it possible to conduct the neutrality audits required by the Commission's *Order*, FCC 99-346, released in the above-captioned dockets on November 17, 1999, approving the transfer of the Lockheed Martin Communications Industry Services business to NeuStar.

Pursuant to Section 1.1206(b)(2) of the Commission's Rules, an original and three copies of this letter and attachment are provided to the Secretary for inclusion in the records of the relevant proceedings.

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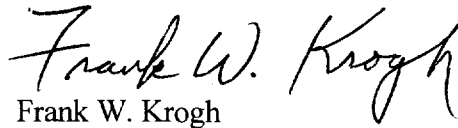
Ms. Magalie Roman Salas

December 17, 1999

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Please direct any questions or concerns to the undersigned.

Yours truly,

A handwritten signature in black ink, reading "Frank W. Krogh". The signature is written in a cursive, flowing style.

Frank W. Krogh
Counsel to NeuStar, Inc.

cc: Yog Varma
Charles Keller
Diane Harmon
Blaise Scinto
Tejal Mehta
Anthony Dale
Hugh Boyle
Peter Young
Robert Hood

MEMORANDUM TO: L. CHARLES KELLER
CHIEF, NETWORK SERVICES DIVISION

FROM: NEUSTAR, INC.

DATE: DECEMBER 17, 1999

SUBJECT: UNDERSTANDING AS TO NEUTRALITY AUDIT
PROCEDURES IN CC DOCKET NO. 92-237 AND NSD
FILE NO. 98-151

By a letter filed today in the above-referenced dockets by Jeffrey E. Ganek, Chief Executive Officer of NeuStar, Inc. ("NeuStar"), NeuStar accepts the conditions set forth in the Commission's *Order*, FCC 99-346, released in those dockets on November 17, 1999, and acknowledges that those conditions will remain in effect for the duration of its current term as the North American Numbering Plan Administrator ("NANPA"). The *Order* approved the transfer of the Lockheed Martin Communications Industry Services business and its NANPA functions to NeuStar, conditioned on NeuStar's adherence to the Commission's neutrality rules at 47 C.F.R. § 52.12(a)(1), the NeuStar Code of Conduct and other conditions specified in the *Order*.

Paragraph 35 of the *Order* discusses the Code of Conduct requirement that NeuStar hire an independent entity to conduct quarterly reviews, or audits, of NeuStar's compliance with the Code of Conduct and the Commission's neutrality rules. Paragraph 35 imposes certain conditions on the neutrality audits, including requirements that the independent auditor consult with the Common Carrier Bureau in developing the methodology of the neutrality review and that the auditor "adhere to the relevant standards of the American Institute of Certified Public Accountants ... when performing the engagement and submitting its report."¹ Representatives of NeuStar and the accounting firm of Ernst & Young have met with the Bureau in an effort to better understand the audit requirements specified in the *Order* and the steps that must be taken in order to make it possible to conduct the required audits. As discussed at the most recent meeting with the Bureau staff on December 15, 1999, NeuStar submits this memorandum to set

¹ *Order* at ¶ 35.

forth its understanding of the additional procedures that must be undertaken in order to fulfill the audit requirements in the *Order*.

First, NeuStar will complete its ongoing preparation of a program of internal controls, with objective and measurable policies and procedures, which will be designed to ensure its compliance with the Commission's neutrality rules and the Code of Conduct. Once these policies and procedures have been finalized, NeuStar will review them with the Bureau to ensure that the Bureau is satisfied that they are adequate to ensure compliance with the neutrality regulations and the Code of Conduct and are sufficiently objective and measurable to enable an independent auditor to issue a positive opinion as to management's assertion of compliance.

Second, once the policies and procedures are in place, NeuStar will select an independent auditor acceptable to the Bureau. The auditor will review NeuStar's compliance policies and procedures and develop an audit plan in conjunction with the Bureau. The audit will be conducted in accordance with, and NeuStar will take all of the steps required by, paragraphs 35 and 36 of the *Order*.

Finally, the first neutrality audit will cover the three-month period ending March 31, 2000. This will require the independent auditor to begin reviewing NeuStar's compliance policies and procedures and developing an audit plan with the Bureau sufficiently prior to March 31 to ensure that the audit commences on that date. The first auditor's report will be completed by May 31, 2000.